



Affordable Housing Developer Meeting



March 25, 2019



AGENDA

- Welcome & Introductions
- Charlotte Housing Opportunity Investment Fund
- Housing Trust Fund
- RFP Schedule
- Housing Authority Pipeline
- Q & A





BACKGROUND

August 2018, City Council adopted the “Housing Charlotte Framework” built on three pillars:

- Creating new affordable housing
- Preserving existing affordable housing
- Creating family self-sufficiency



CHARLOTTE HOUSING OPPORTUNITY INVESTMENT FUND

“CHOIF”



What is the Charlotte Housing Opportunity Investment Fund?

- This \$50 million Affordable Housing Fund is designed to produce more affordable housing and reach families making 30- 120% of the area median income (\$33,500- 80,400 for a family of four in 2017) —promoting stable housing and economic mobility across the income spectrum.
- The Fund will have lower rates of return on investment in order to meet the mission of providing affordable housing to a variety of income bands—including very low-income residents, who are some of the hardest to reach without subsidies. The fund will be made up of a combination of grants, loans and equity investments, for a total of \$50 million.
- By combining a below market return pool with conventional bank debt, this Fund can produce approximately 2,000 mixed-income units. Sixty percent of these units will be affordable.

What the CHOIF is NOT:

A Grant

“Soft” Money

Subordinate Loan

Accruing / Cash Flow Contingent

Operating Subsidy

Non-Competitive

A Loan

Project Assumptions

Per unit HC	\$150,000	Construction LTV	85%
Dev Fee	7%	Req. Dev. Equity	5%
Soft Cost %	20%	Vacancy Factor	7%
# of Units	100	Operating Cost per Unit	\$4,400
		Cap Rate	5.50%

- These underlying project variables will provide the basis for fund underwriting
- Variations to these general guidelines will need explanation in narrative form with submission
- Vacancy factor is non negotiable
- Construction LTV should match LOI provided by lender
- 100 units is a target size, larger or small projects are acceptable (to maximize zoning, etc.)
- Operating cost per unit must be substantiated with utility estimates, or by providing operating data on existing portfolio

Suggested Unit Mix

<u>1 BR</u>	<u># Units</u>	<u>Potential Rent</u>	<u>Gross Potential Rent</u>
30% AMI	4	\$444	\$21,312
50% AMI	9	\$735	\$79,410
80% AMI	9	\$1,177	\$127,146
120% AMI	<u>11</u>	<u>\$1,414</u>	<u>\$186,653</u>
	33		\$414,522
<u>2BR</u>	<u># Units</u>	<u>Potential Rent</u>	<u>Gross Potential Rent</u>
30% AMI	5	\$500	\$30,000
50% AMI	8	\$827	\$79,373
80% AMI	10	\$1,323	\$158,746
120% AMI	<u>10</u>	<u>\$1,764</u>	<u>\$211,611</u>
	33		\$479,779
<u>3 BR</u>	<u># Units</u>	<u>Potential Rent</u>	<u>Gross Potential Rent</u>
30% AMI	6	\$555	\$39,960
50% AMI	8	\$918	\$88,159
80% AMI	10	\$1,471	\$176,467
120% AMI	<u>10</u>	<u>\$2,014</u>	<u>\$241,680</u>
	34		\$546,266
Total Units	100		
Annual Gross Potential Rent		\$1,440,567	
<i>net of vacancy</i>		<i>(\$100,840)</i>	
Net Projected Revenue		<u>\$1,339,727</u>	
<i>net of annual operating costs</i>		<i>(\$440,000)</i>	
Net Rental Income		\$899,727	

- Project profiles should try to adhere to the unit mix outlined here.
- Exceptions can be made for deeper affordability targets, smaller or larger projects, or different market rents (120% AMI) for different neighborhoods.

NOTE: The market component in these projects are necessary to pay required cash split after debt service. The market units are a way to provide an internal cross subsidy to support the affordable units.

<ul style="list-style-type: none"> Developer equity can be in cash, land, or prefunded predevelopment expenses. It is anticipated that each CHOIF project will utilize HTF funds as an enforcement mortgage and to allow for deeper income targeting. Sponsor / Developer to obtain construction and permanent financing, and will be required to carry all guarantees required. 	Development Budget	
	Hard Costs	\$15,000,000
	Soft Costs	\$3,374,886.33
	<u>Developer Fee</u>	<u>\$1,286,242</u>
	TDC	\$19,661,128
Sources & Uses		
	Construction Financing	
	Construction Loan	\$12,781,056
	Developer Equity	\$983,056
	Muni Debt	\$2,000,000
	<u>Equity Fund</u>	<u>\$3,897,016</u>
		\$19,661,128
	Permanent Financing	
	Permanent Loan	\$12,781,056
	Developer Equity	\$983,056
	Muni Debt	\$2,000,000
	<u>Equity Fund</u>	<u>\$3,897,016</u>
		\$19,661,128

Take Out Analysis

<u>LTV Projection for sample transaction</u>		
NOI		\$1,117,591
Cap Rate		5.5%
Max LTV		75%
Projected Value		\$20,319,832
Allowable Loan		\$15,239,874
<u>First Mortgage Sizing</u>		
Bank Loan		\$15,875,913
Term		35
Rate		4.75%
Monthly		\$77,610
Annual		\$931,326
DSC		1.20

- To be deemed feasible, projects must evidence that there is an ability to pencil to a Fannie / Freddy (or like product) loan.
- Two tests to be conducted: A) LTV test based on applicable terms and B) Valuation based on NOI at Y15.
- There must be enough proceeds at refi to payoff project permanent financing and CHOIF equity investment in order for Fund to exit.
- Early exits will be considered on a project by project basis.

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HOUSING AUTHORITY PROJECT
BASED VOUCHERS

HOUSING TRUST FUND (HTF)



HOUSING TRUST FUND (HTF)

- Established in 2001
- Funded through voter-approved general obligation bonds (biannual)
- Since 2002, \$160M has been approved and allocated to the Housing Trust Fund
- Provides gap financing to both non-profit and for profit developers for affordable housing throughout the City
- Flexible structuring
- Has leveraged \$762M in financing



HTF EVALUATION CRITERIA

- | | |
|---|--|
| I. City Policies: <ul style="list-style-type: none">• Number of years affordable• Neighborhood displacement and revitalization | V. Market Study Review: <ul style="list-style-type: none">• Proposed site• Impact in the community• Demand and capture rate |
| II. Development Strength: <ul style="list-style-type: none">• Number of affordable units• Income: 60% or less Area Median Income (\$44,460) | VII. Community Engagement: <ul style="list-style-type: none">• Convene at least one neighborhood meeting to address proposed development |
| III. Developer Experience: <ul style="list-style-type: none">• Developer track record• Property Management | |
| IV. Financial Strength: <ul style="list-style-type: none">• Leverage of city funds• City investment per unit | |



4% BOND - HOUSING TRUST FUND ONLY



Funding Source	Amount
First Mortgage	\$12,301,680
Tax Credit Equity	\$10,343,353
HTF Loan	\$5,300,000
RPP Loan	\$737,219

Number of Units	180
HTF Request	\$5,300,000
Total Cost	\$28,682,252
Affordability Period	30 Years
Leverage Ratio	1:5
Rent (1-2-3 BR)	\$417 - \$1,542

AMI	# Units
< 30%	36
31-50%	0
51-60%	90
61-80%	54
Total Units	180

Proximity	Access	Change	Diversity	Total
5.0	3.5	7.0	7.9	23.4

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NOAH - HOUSING TRUST FUND ONLY



Funding Source	Amount
First Mortgage	\$8,750,000
HTF Loan	\$2,000,000
Private Equity	\$750,000

Number of Units	180
HTF Request	\$2,000,000
Total Cost	\$11,500,000
Affordability Period	20 Years
Leverage Ratio	1:6
Rent (1-2-3 BR)	\$417 - \$1,542

AMI	# Units
< 30%	25
31-50%	0
51-60%	50
61-80%	25
Total Units	100

Proximity	Access	Change	Diversity	Total
5.0	3.5	7.0	7.9	23.4

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REQUEST FOR PROPOSAL SCHEDULE



DRAFT HTF/CHOIF RFP SCHEDULE - 1ST ROUND

Milestone	Dates
Post RFP	April 8, 2019
Sketch Plan Application Mgt.	By April 22, 2019
Proposal Submission Deadline	April 29, 2019
Market Study Due Date	May 27, 2019
Final Planning Support Letter	June 24, 2019
City Council Approval	July 22, 2019





DRAFT HTF/CHOIF RFP SCHEDULE -2ND ROUND

Milestone	Dates
Post RFP	July 1, 2019
Sketch Plan Application Mgt.	By July 31, 2019
Proposal Submission Deadline	August 5, 2019
Market Study Due Date	August 31, 2019
Final Planning Support Letter	September 4, 2019
City Council Approval	September 23, 2019



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Q&A
NEXT STEPS